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REPORT  
No. 547

## READJUSTMENT OF POSTAL RATES

JUNE 11, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MURRAY of Tennessee, from the Committee on Post Office and Civil Service, submitted the following

### R E P O R T

[To accompany H. R. 2982]

The Committee on Post Office and Civil Service, to whom was referred the bill (H. R. 2982) to readjust postal rates, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The committee amendment strikes out all after the enacting clause of the introduced bill and inserts in lieu thereof a substitute which appears in the reported bill in italic type.

### STATEMENT

The bill which this report accompanies will raise revenues in postal rates and fees the first year in the amount of \$123,571,000. Two additional increases at the end of the first and second years on second-class mail, each in the amount of \$7,414,800, will make the total annual increase provided in the bill \$138,400,600.

### SUMMARY OF RATE REVISIONS

#### *First-class mail*

The rate increases in first-class mail are increases for Government postal cards and private mailing post cards and drop letters. The present rate on these three items is 1 cent and the proposed rate is 2 cents. There is an additional charge of 10 percent on Government postal cards sold in quantities of 100 or more. There is no increase for first-class letter mail (except drop letters) or air mail.

#### *Second-class mail*

There is no change in the free-in-county privilege presently enjoyed by second-class mail users.

The bill provides the rates will remain the same on the mailings of publications sent within the county of publication, except for a one-eighth cent minimum charge.

A committee amendment provides that the rates remain the same both within and outside the county of publication on publications maintained by and in the interest of nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veteran, or fraternal organizations. There is, however, a minimum charge of one-eighth cent per piece. This minimum charge does not apply where the publication is sent "free in county."

On that portion of publications sent outside the county of publication, a 60-percent increase was approved to be extended in three steps of 20 percent each. The second and third increases of 20 percent will apply 1 and 2 years respectively after the application of the first 20-percent increase.

#### *Third-class mail*

The major change in this class of mail is on the minimum rate per piece on bulk mailings which is increased from 1 cent per piece to 1½ cents per piece.

There is a one-half-cent-per-piece increase on individual pieces of books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions, and plants not mailed under the bulk mailing provision.

The present \$10 annual fee for the privilege of using bulk mailing rates has been retained.

The minimum charge for pieces of odd size or form is increased from the present rate of 3 cents to 5 cents.

There is no change proposed in the regular per piece rate for third-class mail not mailed in bulk, nor is there any change in the pound rates for bulk mailings of circulars and merchandise or books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions, and plants.

#### *Books*

The bill provides that books will remain at their present rates, and that there will be no change in the size and weight of parcels of books.

#### *Special services*

The committee approved the Postmaster General's recommendations for increases in special delivery, registered mail, insured mail, and collect-on-delivery mail.

The Postmaster General is given authority in the bill to establish henceforth the rates on all special services.

The bill does not deal with fourth-class mail, which consists largely of parcel post and catalogs. The rates on these items are proposed to be raised under a separate action of the Postmaster General with the concurrence of the Interstate Commerce Commission. The Interstate Commerce Commission has already given their concurrence in their decision in Docket No. 30690, dated May 11, 1951. Under this decision, the Postmaster General proposed to increase rates on fourth-class mail by \$105,000,000 annually and parcel post, after the increases, will be paying its own way.

The Postmaster General, on February 28, 1951, recommended increases in postal rates to the Congress in the amount of \$163,734,000 annually. No increases were recommended for fourth-class mail

since the action, referred to above, was already pending before the Interstate Commerce Commission. In addition, the Postmaster General proposed to make increases in the amount of \$2,586,000 for certain items over which he presently has jurisdiction for increases.

The following table sets forth the amounts of the proposed increases recommended by the Postmaster General and those recommended by the committee, and also shows the rates to be raised administratively by the Department:

*Estimated additional revenue based on 1950 volume*

	Proposed by the Post- master General	Recom- mended by the com- mittee
By proposed legislation:		
First-class mail:		
Postal and post cards.....	\$46,740,000	\$50,136,000
Drop letters.....	1,375,000	1,375,000
Second-class mail:		
Publishers' pound rate, first year.....	*20,000,000	7,535,000
Transient.....	789,000	789,000
Third-class mail.....	65,857,000	34,763,000
Special services:		
Registered mail (paid).....	10,583,000	10,583,000
Insured mail.....	809,000	809,000
C. o. d. mail.....	7,461,000	7,461,000
Special-delivery mail.....	10,120,000	10,120,000
Total by legislation.....	163,734,000	123,571,000
By department action:		
Notices to publishers.....	722,000	
Notices of changes of address, Form 3547.....	1,109,000	
Certificate of mailing.....	755,000	
Total by departmental action.....	2,586,000	
Combined total.....	166,320,000	
*Additional increases at the end of the first and second years, respectively, on second-class mail.....	20,000,000	14,829,600
Total under bill.....		138,400,600
Rates recommended by the Postmaster General and concurred in by the Interstate Commerce Commission for fourth-class mail as follows:		
Zone rate parcel post.....	90,299,431	
Catalogs.....	8,143,961	
Books.....	5,297,714	
Library books.....	1,167,488	
Publications not entered as second class over 8 ounces.....	973,426	
Matters for blind at 1 cent per pound.....	24,161	
Total fourth class.....	104,906,181	

<sup>1</sup> Flat rate as proposed by Postmaster General not concurred in by the ICC. ICC consented to a zone rate. This bill holds books at present rates, size, and weight.

#### POSTAL DEFICIT

Funds to cover expenditures of the Post Office Department, like that of all other Government agencies, must be appropriated by the Congress. When revenues of the postal service are insufficient to cover the expenditures, funds are withdrawn from the Treasury. These funds, which are secured from general taxation, represent the postal deficit. The operating postal deficit for the fiscal year 1950 approximates \$590,000,000; for the year 1951, \$512,000,000; and it is estimated for the fiscal year 1952, the deficit will be \$521,000,000. The deficit has increased every year since the close of the fiscal year 1945 until 1951. This increase can be attributed directly to increased transportation costs and increased salaries paid to postal employees.

The additional cost of transporting the mail since July 1, 1945, on an annual basis, is \$175,000,000. Increased payments to employees for salaries since 1945, on an annual basis, is \$800,000,000. This represents approximately a billion dollars in additional expenditures in the postal service, while at the same time, postal rates have been increased only approximately \$140,000,000.

#### SERVICES TO OTHER DEPARTMENTS

At the hearings concern was expressed over the fact that the Post Office Department was called upon to provide subsidies to our airline system and free services to Government departments and postal rates might be raised to cover these items. There is no foundation for these fears since both the President and the Postmaster General, in making recommendations for postal rate increases, have made an allowance of approximately \$160,000,000 out of the deficit to cover these costs. On the other hand, services performed by other departments and costs charged in the budget to other departments of the Government have not been considered as deficit items to be met by increased postal rates. These items consist of approximately \$50,000,000 a year, representing the Government's contribution to the retirement system for postal employees, an item which is carried in the budget of the Civil Service Commission. The Post Office Department is provided free space in public buildings, the rental value of which is an estimated \$25,000,000 annually. Reorganization Plan No. 18, effective July 1, 1950, transferred from the Post Office Department to the Public Buildings Service, buildings which were not used more than 50 percent for post-office purposes. The Public Buildings Service is now providing free maintenance service in these buildings for the space used by the Post Office Department.

Under the Financial Control Act of the Post Office Department (Public Law 712, 81st Cong.), the Post Office Department is required to reflect in its official reports the estimated amounts of Government penalty mail, franked mail, airline subsidies, and other costs not properly chargeable to the users of the postal service. The Postmaster General was already reporting these items to the Comptroller General and the Secretary of the Treasury under the terms of the so-called Kelly law, enacted June 9, 1930 (Public Law 316, 71st Cong.). For fiscal year 1950, these items amounted to \$119,960,324.

#### COST ASCERTAINMENT

Much of the data supplied to the committee relative to revenues and expenditures for the postal service were based upon the cost-ascertainment system of the Post Office Department. This system was authorized by the act of February 25, 1925 (U. S. C., title 39, ch. 22, sec. 826), and was placed in operation on an annual basis in the fiscal year 1926. It has been expanded and improved from time to time in line with experience and to reflect changing conditions in the postal service. In periodic and exhaustive independent scrutiny and analysis by professional accounting and statistical organizations through the years the application of the basic cost-ascertainment concepts and techniques have been sustained and the substantial accuracy of the figures established. The Seventy-seventh and Seventy-eighth Con-



gresses each appropriated \$50,000 to employ specialists to review this system, which was generally approved by these specialists. Cost-ascertainment data recently formed the major part of the presentation made by the Post Office Department in support of the Postmaster General's petition for increases in fourth-class postage rates submitted to the Interstate Commerce Commission in accordance with the directive of Congress set forth in Public Law 843, Eighty-first Congress, second session. After intensive study of the cost-ascertainment methods and procedures underlying the case for the Department, and investigation by transportation and cost experts representing both the protestants and the technical staff of the Interstate Commerce Commission, the Commission accepted the cost figures without question and found completely in favor of the Postmaster General's petition.

The data produced by the cost ascertainment system are used regularly in budgetary presentations by the Post Office Department and in connection with the revision of postage rates and fees.

The committee has cited the ratio of costs to revenues, as shown by the cost ascertainment report, in this report as a reliable indication of the ratios of revenues to expenditures in the various classes of mail. The latest cost ascertainment figures cover fiscal year 1950.

The committee emphasizes that the cost ascertainment figures were used only as a guide and that in the categories of mail where the major increases will occur under the terms of this bill, namely, post and postal cards, and second- and third-class mail, there will still remain substantial losses. For example, if the committee were to attempt to meet the deficit in second-class mail as shown by the cost ascertainment figures, the increases proposed would have to be 500 percent instead of the 60 percent recommended.

#### FIRST-CLASS MAIL

First-class mail includes all material wholly or partly in writing whether sealed or unsealed, except manuscript copy accompanying proof sheets or corrected proof sheets of the same and the writing authorized by law to be placed upon matter of other classes. Matter sealed or otherwise closed against inspection is also of the first class.

No increases are provided under the bill for first-class letter mail with the exception of the drop letter. First-class letter mail is the only category of mail which is presently returning sufficient revenue to meet the expenditures for handling. Also, there are no increases provided for air mail. While air mail, under the present system whereby the air-mail subsidy is charged to the Post Office Department is not paying its way, there is reason to believe revenues would approximately meet the expense of handling if the subsidy element were not present. Since, for the purpose of these rate increases the estimated amount of air-mail subsidy was deducted before making rate recommendations, it was the view of the committee, in the absence of any recommendations of the Postmaster General, that air-mail rates need not be increased at this time.

#### *Postal and post cards*

Postal and post cards will be increased from 1 cent to 2 cents. There is an additional increase of 10 percent on Government postal cards sold in quantities of 100 or more. This additional 10 percent

increase is recommended by the committee to cover the cost of manufacture, distribution to post offices of the postal card, and returned damaged cards. This will result in an additional charge of \$2 a thousand for postal cards which it is believed is a comparable charge to that presently being made for Government stamped envelopes which, on the average size envelope, is \$4.72 a thousand.

The Post Office Department estimates that it costs approximately 2.8 cents per piece to handle postal and post cards. More than 90 percent of the nearly 4 billion postal cards are used by utilities and other commercial concerns with a major portion being used for advertising purposes. The Post Office Department estimates that the total loss on Government postal cards and private mailing post cards exceeds \$70,000,000 a year. The increases recommended in the bill will reduce this loss by approximately \$50,000,000.

#### *Drop letters*

Drop letters are those mailed for local delivery at post offices where free delivery by carrier is not established and when they are not collected or delivered by rural or star-route carrier. The rate on these letters is presently 1 cent for each ounce or fraction thereof. Under the bill they will be increased to 2 cents for each ounce or fraction thereof. This first-class rate on drop letters should be raised so that it will not be lower than the rate for postal or post cards nor less than the minimum for circulars and other third-class matter which rates the committee is recommending be raised in this bill.

#### SECOND-CLASS MAIL

Second-class mail comprises the periodical publications, newspapers, and magazines, most of which are mailed in bulk by the publishers at pound rates. For many years the postal service has incurred its greatest loss on second-class mail. This year the loss in second-class mail is estimated by the Post Office Department at nearly \$200,000,000. The volume of this mail has grown to be very great, accounting for 19.26 percent of the total weight of all mail and 15.45 percent of the pieces while contributing only about 2.45 percent of the postal revenue.

Under the committee amendment, there will be no increases on the mailings of publications sent within the county of publication. The free-in-county privilege, which means that publications are sent free within the county of publication from post offices where there is no city letter-carrier service, is continued under the bill.

A committee amendment provides that the rates remain the same both within and outside the county of publication on publications maintained by and in the interest of nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veteran, or fraternal organizations. There is, however, a minimum charge of one-eighth cent per piece. This minimum charge does not apply where the publication is sent free-in-county.

The Postmaster General recommended that the second-class mail rates be increased by 100 percent on that portion sent outside the county of publication, providing for a 50-percent increase the first year and 25 percent additional increases in each of the two succeeding years. After extensive hearings, the committee recommends an increase of 60 percent on that portion sent outside the county of publica-

tion to take place in three step increases, the first increase of 20 percent to take effect the first day of the second quarter beginning after the approval of the act and the second and third increases of 20 percent each to begin 1 and 2 years thereafter, respectively.

Transient second-class mail is increased by 1 cent per piece. The present rate is 1 cent for each 2 ounces and the proposed rate is 2 cents for the first 2 ounces and 1 cent for each additional 2 ounces.

The following chart shows the present rates and the rates as proposed by the committee amendment:

WITHIN COUNTY OF PUBLICATION

	Present rate	Proposed by committee
<b>Local delivery:</b>		
Non-letter-carrier office.....	Free.....	Free.
Letter-carrier office:		
Weekly publication, by city carrier.....	1 cent per pound.....	No change. <sup>1</sup>
Publications issued more frequently than weekly, by city carrier.	1 cent per copy.....	No change
Publications issued less frequently than weekly, by city carrier.	1 cent per copy, not over 2 ounces; 2 cents per copy, over 2 ounces.	Do.
For delivery by other than city carrier.....	1 cent per pound.....	No change. <sup>1</sup>
<b>Other than local delivery within county:</b>		
For delivery at offices not having city carriers.	Free.....	Free.
For delivery at offices having city carriers.....	1 cent per pound.....	No change. <sup>1</sup>

OUTSIDE COUNTY OF PUBLICATION

Reading portion.....	1½ cents per pound.....	60 percent increase in 3 steps of 20 percent each. <sup>1</sup>
<b>Advertising portion:</b>		
Zones 1 and 2.....	do.....	
Zone 3.....	2 cents per pound.....	
Zone 4.....	3 cents per pound.....	
Zone 5.....	4 cents per pound.....	
Zone 6.....	5 cents per pound.....	
Zone 7.....	6 cents per pound.....	
Zone 8.....	7 cents per pound.....	No change. <sup>1</sup>
Publications having 5 percent or less advertising.	1½ cents per pound.....	
Publications of nonprint, religious, educational, scientific, philanthropic, agricultural, veteran, labor, or fraternal organizations or associations.	do.....	2 cents for the first 2 ounces and 1 cent for each additional 2 ounces or fraction thereof, or the fourth-class rate, whichever is lower.
Transient rates: Newspapers and other periodical publications mailed by public and by publishers to nonsubscribers.	1 cent for each 2 ounces or fraction thereof or the fourth-class rate, whichever is lower.	

<sup>1</sup> Minimum postage ½ cent per copy, except on free county matter.

Data for publishers' domestic second-class mail for the fiscal year 1950 are as follows:

Pieces.....	6, 162, 849, 787
Weight..... pounds.....	2, 250, 643, 881
Average weight per piece..... ounces.....	5. 84313
Expenditures.....	\$232, 691, 373
Revenues.....	41, 391, 655
Excess of expenditures.....	191, 299, 718

THIRD-CLASS MAIL

Third-class mail includes miscellaneous printed matter, books, catalogs, merchandise, seeds, cuttings, bulbs, roots, and plants. The limit of weight in this class is 8 ounces. A very large part of the

third-class mail consists of circulars. The volume, revenue and expense in 1950 were:

Pounds.....	646, 197, 757
Pieces.....	10, 342, 921, 097
Expense.....	\$289, 618, 283
Revenue.....	153, 745, 942
Excess of expenditures.....	135, 872, 341

Under the committee amendment, there will be no increases in the regular per piece rate for circulars, merchandise, printed matter, etc., weighing 8 ounces or less. The present rate is 2 cents for the first 2 ounces plus 1 cent for each additional ounce. This rate was last increased January 1, 1949.

There is an increase of one-half cent per piece in the rate on books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions, and plants. The present rate is 1½ cents for each two ounces and the recommended rate is 2 cents for the first 2 ounces plus 1½ cents for each additional 2 ounces.

The bill continues the provision that special rates will be granted for bulk mailings (20 pounds or 200 identical pieces) of third-class mail sent under such regulations as the Postmaster General may prescribe for this class of mail under the special rates. Under the Postmaster General's proposal, while the bulk mailing privilege was retained, the minimum rate of 2 cents, which is the same as the rate for similar matter sent as regular third-class mail, might have eliminated a major portion of this mail and, in the opinion of the committee, would have had a great effect on the value of the mailer sorting this mail before presenting it to the post office. The committee amendment sets the minimum rate on third-class bulk mail at 1½ cents. This allows a one-half-cent margin from the regular third-class rate which would be, in the opinion of the committee, adequate compensation to the mailer for facing, sorting, and packaging the mail prior to presenting it to the post office.

There is no change in the pound rates for such bulk mailings. These pound rates were last changed January 1, 1949. There has, however, not been any increase in the present minimum rate per piece (the rate increase in the bill) since this particular class of mail was first established in 1928. In the opinion of the committee, the 50 percent increase over the 1928 rate is a moderate and fair increase.

The committee amendment retains the present \$10 annual fee for the privilege of mailing at the bulk rates.

The committee amendment increases the rate charged for odd-sized articles which cannot be readily faced and the stamps canceled from the present rate of 3 cents to 5 cents.



A comparison of the present and proposed rates for third-class mail is shown in the following table:

	Present rate	Proposed by committee
<b>THIRD CLASS</b>		
Regular per piece rate (circulars, miscellaneous printed matter and merchandise).	2 cents for first 2 ounces plus 1 cent for each additional ounce.	No change.
Special per piece rate (books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions, and plants).	1½ cents for each 2 ounces-----	2 cents for first 2 ounces plus 1½ cents for each additional 2 ounces.
<b>BULK MAILINGS</b>		
20 pounds or 200 identical pieces—calendar year fee for privilege of mailing at bulk rates.	\$10-----	No change.
Rates:		
Circulars, miscellaneous printed matter and merchandise.	14 cents per pound; minimum 1 cent per piece.	14 cents per pound; minimum 1½ cents per piece.
Books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions and plants.	10 cents per pound; minimum of 1 cent per piece.	10 cents per pound; minimum 1½ cents per piece.
Pieces of odd size or form-----	Minimum charge of 3 cents each.	Minimum charge of 5 cents each.

#### BOOKS

The committee amendment provides that the rate, size, and weight of books and library books will remain the same as they are under present law and that they will not be changed unless such change be approved by Congress.

Books are fourth-class mail and the Postmaster General proposed to the Interstate Commerce Commission that the rates on books be increased along with the rates on parcel post and catalogs, which he proposed in the proceedings before the Interstate Commerce Commission, Docket No. 30690. The committee did not hear any testimony with regard to any matter relating to fourth-class mail since those proceedings had been instituted before the Interstate Commerce Commission by the direction of Congress in Public Law 843, Eighty-first Congress.

The Postmaster General had proposed to the Interstate Commerce Commission that the rates on books be increased but that on parcels of books under 10 pounds, the rate be a flat rate. In its decision the Interstate Commerce Commission, on May 11, 1951, consented to a zone rate for books. The placing of books under zone rates would, in the opinion of the committee, create an undue hardship to an industry which has been established based upon a flat rate. It would also discriminate against areas in the country which do not have book publishers. The publishing of books, together with their printing and binding, is an industry which is concentrated largely in one section of the country and in order not to discriminate against readers in other sections of the country, books have been accorded a flat rate since 1938.

The committee, in addition, points out that there have been substantial increases in book rates while there have not been comparable increases in the rates of other publications such as magazines and newspapers. Prior to October 31, 1938, books were sent at the regular

parcel-post rate. Effective November 1, 1938, by a proclamation of the President of the United States, a book rate was established at 1.5 cents per pound. This rate was continued in effect until June 30, 1942. By acts of Congress, the rate level was increased to 3 cents for each pound, effective July 1, 1942; by 3 percent with a minimum of 1 cent per parcel effective March 26, 1944; and effective January 1, 1949, to the present time, the rate was increased to 8 cents for the first pound and 4 cents for each additional pound. In the opinion of the committee, books, having been increased from 1½ cents a pound in 1938 to 8 cents for the first pound and 4 cents for each additional pound at the present time, have had such increases that an additional increase at this time is not warranted.

#### SPECIAL SERVICES

The committee approved the Postmaster General's recommendations for increases in special services. Under the terms of the Postmaster General's recommendations, the increase in special services will amount to approximately \$29,000,000 a year as follows:

Registered mail (paid) .....	\$10, 583, 000
Insured mail .....	809, 000
C. o. d. mail .....	7, 461, 000
Special delivery mail .....	10, 120, 000
Total .....	28, 973, 000

Under these increases it is estimated that the special services which are increased will approximately pay their own way. No increases are provided for the special handling of fourth-class (parcel post) mail. There are no increases in the fees proposed for money-orders since on July 1 of this year an entirely new money-order system will be placed into effect. This new system will utilize new electrical punching and sorting equipment and considerably simplify the accounting procedures. The Postmaster General estimates that substantial savings will be experienced by the Department in the handling of money orders and that fees can better be adjusted after it has been determined the effect of the revised procedures on the revenues from and expenditures for handling money orders.

The following chart shows the present rates and increases as proposed for the special services:

#### *Special delivery*

	Present rate	Proposed rate
	<i>Cents</i>	<i>Cents</i>
First-class matter:		
Up to 2 pounds .....	15	23
Over 2, to 10 pounds .....	25	35
Over 10 pounds .....	35	50
Second-, third-, and fourth-class matter:		
Up to 2 pounds .....	25	35
Over 2, to 10 pounds .....	35	45
Over 10 pounds .....	45	60

*Domestic registered, insured, and c. o. d. mail*

	Present fees	Proposed fees
Fees for domestic registered mail (first-, second-, and third-class matter, and sealed fourth-class matter on which postage at the first-class rate has been paid):		
Articles having no intrinsic value and for which no indemnity is payable...	\$0. 25	\$0. 30
Indemnity limit:		
\$0.01 to \$5.....	.25	.40
\$5.01 to \$25.....	.35	.55
\$25.01 to \$50.....	.40	.65
\$50.01 to \$75.....	.45	.75
\$75.01 to \$100.....	.50	.85
\$100.01 to \$200.....	.60	.95
\$200.01 to \$300.....	.70	1.05
\$300.01 to \$400.....	.85	1.15
\$400.01 to \$500.....	1.00	1.25
\$500.01 to \$600.....	1.10	1.35
\$600.01 to \$700.....	1.20	1.45
\$700.01 to \$800.....	1.30	1.55
\$800.01 to \$900.....	1.40	1.65
\$900.01 to \$1,000.....	1.50	1.75
For registered mail having a declared value in excess of \$25, registered fee of not less than.....	(1)	.55
For registered mail having a declared value in excess of the maximum indemnity covered by the registry fee paid there shall be charged additional fees (surcharges) as follows:		
When the declared value exceeds the maximum indemnity covered by the registry fee paid—		
By not more than \$50.....	.02	No change
By more than \$50 but not more than \$100.....	.03	No change
By more than \$100 but not more than \$200.....	.04	No change
By more than \$200 but not more than \$400.....	.06	No change
By more than \$400 but not more than \$600.....	.07	No change
By more than \$600 but not more than \$800.....	.08	No change
By more than \$800 but less than \$1,000.....	.10	No change
If the excess of the declared value over the maximum indemnity covered by the registry fee paid is \$1,000 or more, the additional fees for each \$1,000 or part of \$1,000 on articles destined to points within the several zones applicable to fourth-class matter shall be as follows:		
For local delivery or for delivery within the first zone.....	.11	.12
For delivery within the second zone.....	.12	.14
For delivery within the third zone.....	.14	.16
For delivery within the fourth zone.....	.15	.17
For delivery within the fifth or sixth zone.....	.16	.18
For delivery within the seventh or eighth zone.....	.18	.19
Fees for domestic insured mail (third- and fourth-class matter):		
Indemnity limit:		
\$0.01 to \$5.....	.05	.05
\$5.01 to \$10.....	.10	.10
\$10.01 to \$25.....	.15	.15
\$25.01 to \$50.....	.20	.20
\$50.01 to \$100.....	.25	.30
\$100.01 to \$200.....	.30	.35
Fees for domestic c. o. d. mail, unregistered (third- and fourth-class matter and sealed domestic mail matter of any class bearing postage at the first-class rate):		
Indemnity limit:		
\$0.01 to \$2.50.....	.20	} .30
\$2.51 to \$5.....	.25	
\$5.01 to \$25.....	.35	{ 1.40
\$25.01 to \$50.....	.45	
\$50.01 to \$100.....	.55	.70
\$100.01 to \$150.....	.60	.80
\$150.01 to \$200.....	.65	.90
		1.00
For insured mail treated as registered mail having a declared value in excess of the maximum indemnity covered by the insurance fee paid there shall be charged additional fees (surcharges) as follows:		
When the declared value exceeds the maximum indemnity covered by the insurance fee paid:		
By not more than \$50.....	.01	.02
By more than \$50 but not more than \$100.....	.02	.03
By more than \$100 but not more than \$200.....	.03	.04
By more than \$200 but not more than \$400.....	.04	.06
By more than \$400 but not more than \$600.....	.05	.07
By more than \$600 but not more than \$800.....	.06	.08
By more than \$800 but less than \$1,000.....	.07	.10

No minimum charge.

<sup>1</sup>\$5.01 to \$10.00

<sup>2</sup>\$10.01 to \$25.00.

*Domestic registered, insured, and c. o. d. mail—Continued*

	Present fees	Proposed fees
<b>If the excess of the declared value over the maximum indemnity covered by the insurance fee paid is \$1,000 or more, the additional fees for each \$1,000 or part of \$1,000 on articles destined to points within the several zones applicable to fourth-class matter shall be as follows:</b>		
For local delivery or for delivery within the first zone.....	\$0.08	\$0.12
For delivery within the second zone.....	.09	.14
For delivery within the third zone.....	.10	.16
For delivery within the fourth zone.....	.11	.17
For delivery within the fifth or sixth zones.....	.12	.18
For delivery within the seventh or eighth zones.....	.13	.19
<b>Fees for domestic registered c. o. d. mail (sealed domestic mail of any class bearing postage at the first-class rate):</b>		
<b>Amount collectible and indemnity payable:</b>		
\$0.01 to \$10.....	.55	.80
\$10.01 to \$50.....	.70	1.10
\$50.01 to \$100.....	.90	1.20
\$100.01 to \$200 (limit of collections).....	1.15	1.40
<b>When indemnity in excess of \$200 is desired, the fees for domestic registered collect-on-delivery mail are—</b>		
<b>Indemnity limit:</b>		
\$200.01 to \$300.....	1.20	1.50
\$300.01 to \$400.....	1.25	1.60
\$400.01 to \$500.....	1.30	1.70
\$500.01 to \$600.....	1.35	1.80
\$600.01 to \$700.....	1.40	1.90
\$700.01 to \$800.....	1.45	2.00
\$800.01 to \$1,000.....	1.55	2.10
<b>Return receipts for registered or insured (except minimum fee insured) mail:</b>		
Requested at time of mailing.....	.05	.07
Requested subsequent to time of mailing.....	.10	.15
Requested at time of mailing to show address of delivery.....	.31	.31

Section 11 of the bill as reported, authorizes the Postmaster General to henceforth prescribe by regulations the fees which shall be charged for the following special services:

- (1) For the registry of mail matter;
- (2) For the insurance of mail matter, or other indemnification of senders thereof for articles damaged or lost;
- (3) For securing a signed receipt upon the delivery of registered or insured mail matter and returning such receipt to sender;
- (4) For collect-on-delivery service;
- (5) For special-delivery service;
- (6) For special-handling service;
- (7) For the issuance of money orders;
- (8) For notice to publishers of undeliverable second-class mail, for notice of change of address, and for notice to addressee or sender of undeliverable third- or fourth-class matter, or of undeliverable second-class matter mailed at the transient rate.

This is a recommendation of the Hoover Commission and one which was approved both by the committee and the House last Congress. It is the view of the committee that these special services are of such an individual nature that fees should be established which would cause them to approximately pay their own way.

## EFFECTIVE DATE

The rates proposed in this bill are to take effect on the first day of the third calendar month following the month in which it is enacted except for the rates on second-class mail. The rates on second-class mail shall take effect on the first day of the second quarter beginning after the approval of this legislation.



The following is a special message of the President of the United States to the Congress covering his views on the need for increases in postal rates:

FEBRUARY 27, 1951.

*To the Congress of the United States:*

For the last several years, the United States postal service has been incurring very large deficits. The rapidly rising costs of delivering the mail have been substantially larger than the postage revenues received. The deficits have had to be made up by general tax revenues—or, to put it bluntly, the general taxpayer has been giving large subsidies to certain users of the postal system.

In the fiscal year 1952, the postal revenues are expected to be about \$1,840,000,000. Postal expenditures, at present cost levels, are expected to be about \$2,361,000,000, leaving a deficit of about \$521,000,000. This deficit may be larger if the Interstate Commerce Commission and the Civil Aeronautics Board raise transportation rates for carrying mail, as they have been requested to do by the railroads and airlines, or if other cost increases occur.

A postal deficit of more than one-half billion dollars is obviously unsound, especially at a time when every effort must be made to reduce the size of the Federal budget. The taxpayers of this country are faced with an unavoidably large burden in financing our defense program. It is unreasonable and unfair that they should also have to pay for postal costs which should be borne by those who receive the direct benefits of postal service.

At present, all major types of postal service, except first-class mail, are operated at a loss. Losses are especially heavy for second-class mail (newspapers and magazines) and third-class mail (mainly circulars and advertising matter). Together, these two classes of mail account for over \$300,000,000 of the anticipated deficit.

The large deficits being incurred in postal operations result primarily from postwar cost increases. The largest part of postal expenses is accounted for by the salaries of postal workers and the costs of transporting mail. These personnel and transportation costs are about 96 percent of all postal expenses.

During the past 5 years these costs have risen sharply. The salary increases for postal employees enacted in 1945, 1948, and 1949 have added approximately \$800,000,000 to annual costs. The cost of transporting mail by rail and by air has risen, since July 1, 1945, by about \$175,000,000 on an annual basis. Including increased rentals and equipment and supply costs, the annual cost of operating the postal system is now more than \$1,000,000,000 higher than it was in 1945—more than a 100-percent increase in 5 years.

These increased costs obviously could not have been avoided. Postal employees should receive fair salaries. The railroads and airlines are entitled to fair compensation for carrying the mail.

To some extent, the effect of higher salary and transportation rates has been offset by increased output per man-hour worked. Since the end of World War II, the productivity of postal employees per man-hour has increased by more than 10 percent—which compares favorably with the record of private industry over the same period.

The Post Office is constantly working to improve the efficiency of postal operations. The Post Office Department has been considerably reorganized. Simplified accounting methods are being instituted. A stream-lined money-order system will shortly be established. Some services have been cut down or eliminated. Research on new and better methods for sorting and handling mail is going forward all the time.

But the plain fact is that no possible increase in efficiency could absorb the extremely large cost increases that have taken place. In spite of the increase in productivity per man-hour since 1945, the average cost of each postal transaction has increased by nearly 60 percent. During the same period, the average revenue from each transaction has increased by only 5½ percent.

Under these circumstances, it is clearly necessary to increase postal rates in order to reduce the postal deficit.

Accordingly, I recommend, as I have recommended a number of times over the past several years, that the Congress increase postal rates sufficiently to wipe out the bulk of the present postal deficit, which should not be borne by the general taxpayer.

The deficit should not be eliminated completely. Some postal costs are incurred to carry mail sent on official business by the legislative, executive, and judicial branches of Government. The airline subsidies—the amounts paid to the airlines over and above the cost of carrying air mail—are also charged to the Post Office.

These, and a few other special expenses, amounting in all to about \$160,000,000, are incurred for general purposes of the Federal Government, and it is only reasonable that we should pay for them as we pay for other Federal expenditures, through Federal taxes.

The bulk of the deficit, however—estimated in fiscal year 1952 at \$361,000,000—is incurred in the course of providing postal service to users other than the Federal Government. There is no good reason for taxing our people to pay these costs. Postal rates should be raised enough to cover them.

Increasing postal rates presents many complex problems of detail, since our system of postal rates has been built rather haphazardly over the years. In the light of current conditions, it contains many deeply ingrained inequities and special privileges. The committees of Congress who are responsible for determining most postal rates will, of course, want to consider carefully the specific rates for each class of mail and type of service. The Postmaster General is prepared to present a number of suggestions for raising postal rates to more reasonable levels. I wish to emphasize here a few of the major considerations which seem to me important in raising rates.

1. First-class mail (ordinary letters and cards) in total more than pays its way at the present time. Postal and post cards, however, do not. Consequently, the only major change in first-class-mail rates I believe to be warranted at this time is in the rate of such cards. These cards were authorized by the Congress in 1872 at a rate of 1 cent each. The same low rate prevails today. This year more than 4,030,000,000 postal cards will be handled through the mails—over 90 percent of them used for commercial and advertising purposes. The cost of handling each card is 2.8 cents, while the revenue is 1 cent. I believe this rate should be raised to 2 cents, which would bring in, on the present volume, about \$47,000,000 of additional revenue.

2. Major changes are needed in postal rates for second-class mail (newspapers and magazines). In the fiscal year 1952, more than 6,000,000,000 individually addressed newspapers and magazines are expected to be carried, at a cost of about \$242,000,000. But the postage paid will be only about \$42,000,000. Thus the newspaper and magazine publishers will have \$200,000,000—or 80 percent—of their postal costs paid for them by the general public.

Newspapers and magazines are now carried for 1½ cents a pound, without regard to distance, for the reading matter they contain, and a graduated rate for the advertising matter in them, rising from 1½ cents a pound, for distances up to 150 miles, to 7 cents a pound, for distances over 1,800 miles. These rates were intentionally set low, when they were established, in order to encourage the spread of information and education among our citizens. This is still a desirable objective, but clearly does not warrant a subsidy as extreme as that which now exists.

For example, the popular, digest-type magazines, which carry no advertising, are sent by mail throughout the country at the rate of 1½ cents per pound. Since, on the average, three copies of this type of magazine weigh 1 pound, the postage works out to about one-half cent per copy transported anywhere in the United States. (It costs more to handle a copy of such a magazine than it does to handle an ordinary letter, for which a person pays 3 cents—six times as much postage.) It seems ridiculous for the taxpayers to be paying postage bills for magazines like these, which can well afford to pay their own way. Increasing the postage on such magazines obviously would not detract measurably from the purpose of spreading information and education among our citizens.

The large-circulation magazines which carry many pages of advertising pay a somewhat higher rate of postage, but one which is still only a small fraction of what it costs the postal service to handle these magazines. This means that, in plain fact, under present postal rates, the general taxpayers are generously subsidizing the advertisers, who are able to send their advertising into the homes of our people at less than cost. There seems to be no excuse whatever for the general taxpayers to subsidize advertisers. Surely advertising was not part of the public information and education which the Congress intended to subsidize 70 years ago when it established second-class mail.

These excessive subsidies for newspapers and magazines are not only wrong, they are seriously inequitable. Books, which are surely as important as newspapers and magazines in disseminating information, and mail-order catalogs, which carry advertising generally similar to that in newspapers and magazines, are classified as fourth-class mail. Under the recommended rates, there will be little, if any, subsidy in carrying these publications—a startling discrimination in comparison to the situation on second-class mail.

Newspaper and magazine publishers have substantially increased their subscription and advertising rates in recent years—in many cases doubling or tripling

these rates. Second-class-postage rates, on the other hand, are close to the average level of 1879, when this class of mail was first established. Publishers who charge prices geared to present-day costs cannot reasonably expect to pay postage at rate levels 70 years old.

For these reasons I believe it is imperative now to increase second-class-mail rates. If these rates are doubled—which is the least that should be done—this would bring in only about \$40,000,000, and the general taxpayers would still be subsidizing second-class mail to the extent of more than 60 percent of its postal costs.

As a matter of long-term policy, second-class mail should be brought gradually toward self-sufficiency in postal revenues. The immediate recommendations for rate increases which the Postmaster General will make should be regarded as only the first step. Further changes should include adjustments in the basic structure, as well as in the level, of second-class rates. Accordingly, I am asking the Postmaster General to review the second-class-rate structure thoroughly, looking toward later consideration by the Congress.

3. More than 10,000,000,000 pieces of third-class mail (mostly circulars and advertising matter) are anticipated in fiscal year 1952. The costs of carrying this mail are now estimated to be about \$271,000,000. Third-class postal revenues, however, are expected to be about \$148,000,000, leaving an estimated deficit of about \$123,000,000.

The circulars and advertising matter which make up most of third-class mail are usually mailed in bulk at 1 cent for each piece. It costs nearly as much, of course, to handle a piece of this mail as it does to handle a first-class letter which has a 3-cent rate. I believe the minimum rate should be increased from 1 to 2 cents, which would increase revenue by about \$66,000,000, and cut the deficit on this class of mail by more than half.

4. The postal rates on fourth-class mail (parcel post) can be changed either by action of the Congress, or by action of the Interstate Commerce Commission approving changes proposed by the Postmaster General. Last year the Congress instructed the Postmaster General to seek the consent of the Commission for rate increases sufficient to make this class of mail pay its way. This he has done, and increases are now being considered by the Commission which would bring in an additional \$105,000,000 in revenue, more than enough to cover the fourth-class deficit.

5. In addition to carrying the four classes of mail, the Post Office provides certain special services. The major services for which fees are charged—registry, insurance, c. o. d. mail, and special delivery—are being operated at a loss, estimated at about \$29,000,000 in fiscal year 1952.

I believe that the fees for these services should be increased by enough to eliminate the deficit in this portion of the postal operation. Furthermore, I believe the Postmaster General should be given authority to revise these fees from time to time in order to keep them in line with costs. Such authority was included in a bill passed by the House of Representatives last year.

These various suggestions, together with certain less-important changes, will, if enacted by the Congress, wipe out the bulk of the postal deficit. Some deficit will remain, above the amount that is properly chargeable to the general taxpayers. The amount of this remaining deficit is not certain now, in view of the possibility of higher transportation rates and other cost increases. Consequently, I am not now recommending all the rate increases that should be enacted to put the Post Office on a self-sufficient basis. However, as soon as the outlook on future costs is more clear, the Postmaster General will submit to the Congress such further recommendations for rate increases as may then be necessary to reduce the deficit to a proper level.

I strongly urge the Congress to correct the present unsound condition of the postal revenues. This is a time of emergency, when we must raise taxes on everyone to meet the heavy costs of stronger military defenses. Now, more than ever, it is wrong to ask the taxpayer to bear costs which should be borne by users of the mail service—users many of whom have enjoyed large special privileges in the form of low, subsidized postal rates.

The Federal budget I submitted to the Congress in January was based on the assumption that the postal deficit would be reduced from over \$500,000,000 to about \$160,000,000—the amount which is properly chargeable to the general taxpayer. My tax recommendations were likewise based on this assumption. To the extent that postal rates are not raised enough to meet that objective, even higher taxes will be needed to balance the budget.

HARRY S. TRUMAN.

THE WHITE HOUSE, February 27, 1951.



Following is the letter of the Postmaster General transmitting the rates contained in H. R. 2982, as introduced.

POST OFFICE DEPARTMENT,  
Washington 25, D. C., February 28, 1951.

HON. SAM RAYBURN,  
*Speaker of the House of Representatives.*

DEAR MR. SPEAKER: The President, in transmitting his recommendations to the Congress on January 15, 1951, for the budget of the United States Government for the fiscal year ending June 30, 1952, and in his recent special message, called attention to the large postal deficits amounting to more than one-half billion dollars annually, and repeated his many previous recommendations for postal-rate legislation in order to bring postal revenues in line with present operation costs, which have increased by nearly 60 percent since 1945 due to postal employees pay raises and transportation rate increases without adequate increases in postage rates during the same period.

The President referred to the many steps taken by the Post Office Department to reduce the cost of postal operations and pointed out that the total potential savings from such measures to effect economy and improve efficiency are relatively small in relation to the present size of the postal deficit, which he stated would be unsound at any time but is especially untimely in a period when the Federal budget must sustain extremely heavy defense expenditures. He therefore strongly urged the enactment of such rate legislation as will reduce the deficit to an amount representing the costs of handling Government penalty and franked mail and other costs not properly chargeable to the general users of the postal service.

Although a partial revision of postage rates and fees was authorized by the act of Congress approved July 3, 1948, effective January 1, 1949, the additional revenue resulting therefrom was more than offset by the increases in postal employees' pay provided by the same act. In view of this and the fact that the recurring enormous annual deficits create an unsound financial condition, the Department submitted to the Congress on February 21, 1949, schedules and recommendations for further postal rate revision estimated to raise approximately \$253,000,000. These were embodied in bills H. R. 2945 and S. 1103 and extended hearings thereon were held in 1949 and 1950 by the Post Office and Civil Service Committees of the House and Senate. H. R. 2945 was amended to produce about \$130,000,000 revenue a year and was passed by the House of Representatives on February 9, 1950. The Senate Post Office Committee recalled its bill, S. 1103, and took up H. R. 2945 instead but after holding hearings on the latter in April, May, and June 1950, failed to report the bill and consequently no postal-rate legislation was enacted by the Eighty-first Congress.

The only action taken by the last Congress with respect to postal rate revision was to include in the act making supplemental appropriations for the fiscal year ending June 30, 1951, Public Law 843, approved September 27, 1950, a provision prohibiting the Postmaster General from withdrawing from the Treasury any of the funds appropriated to the Post Office Department from the general fund of the Treasury until he shall certify in writing that he has requested the consent of the Interstate Commerce Commission to the establishment of such rate increases or other reformatations pursuant to the provisions of section 207 of the act of February 28, 1925, as amended (39 U. S. C. 247), as may be necessary to insure the receipt of revenue from fourth-class mail service sufficient to pay the cost of such service. In compliance with this directive of the Congress the consent of the Interstate Commerce Commission was requested on October 13, 1950, to the establishment of rate increases on fourth-class (parcel post) mail designed to produce \$105,000,000 on an annual basis and assure the receipt of revenue from such service sufficient to pay its cost. Hearings on the Department's request were begun by the Commission on December 5 and concluded on January 26, 1951. All parties interested in the proceeding have been given until March 26, 1951, to submit briefs covering the matter.

If the Interstate Commerce Commission consents to the fourth-class rate increases as requested, the postal revenues will still fall far short of covering the constantly rising cost of operating the postal service. In fact the deficit, estimated at \$521,374,000 for the fiscal year 1952, will exceed \$416,000,000 after realizing the \$105,000,000 additional revenue anticipated from the proposed rate increases on fourth-class mail. A deficit of this size is a matter of grave concern, particularly at this time of emergency when the deficit must be met by the withdrawal from the Treasury of funds raised by general taxation and urgently needed for



defense purposes. This is especially discriminatory and objectionable because it places upon the taxpayer expenses which should be borne by those users of the mail services who for many years have been enjoying great privileges in the form of low, subsidized rates and other benefits. Among the groups profiting from the continuation of these privileges are the publishers of the more than 24,000 newspapers and other periodical publications constituting mail matter of the second class carried free of postage or at nominal rates; the many business concerns using the penny postal card or private mailing card for purely commercial or advertising purposes, more than 4,000,000,000 such cards being so used annually, and finally, the mailers of circulars, catalogs, and other printed advertising matter embraced in third-class mail of which around 10,000,000,000 pieces are mailed each year. These three groups of mailers are responsible for approximately \$418,000,000 of the annual deficit.

In view of all the circumstances it is highly important and most urgently essential that prompt action be taken by the Congress to correct the inequitable, unsound financial situation confronting the postal service through no fault of its own but which is due to failure to increase the postal rates, along with rising costs of operating the service as the result of legislation and other unavoidable causes. This can be accomplished only by a substantial, realistic upward revision of postage rates and fees for the special services, and I am therefore strongly urging such action. It is not contemplated that the postal rates shall be increased to such extent that the deficit will be eliminated entirely, as it is believed that the costs of handling Government penalty mail, congressional franked and other free mail, as well as air-mail subsidies and other nonpostal items should not be borne by the paying users of the several classes of mail and special services. Furthermore, it would not be feasible to increase the rates sufficiently to wipe out the deficit.

In accordance with the foregoing and pursuant to the recommendations of the President, I am submitting herewith a draft for legislation embodying a comprehensive schedule of rates and fees designed to raise approximately \$163,734,000 additional revenue. Under authority of existing law it is my purpose, in connection with the legislation herein proposed, to increase the charges for furnishing certain notices to the senders or addressees of mail of the second, third, and fourth classes, which is undeliverable as addressed, and also to increase the charge for furnishing certificates of mailing. Such increases should raise the revenue from the services affected by approximately \$2,586,000, making a total of \$166,320,000 additional revenue anticipated under the proposed legislation and departmental action. A summary of these items and the sources from which the additional revenue is anticipated follows:

<i>Estimated additional revenue</i>	
By proposed legislation:	
First-class mail:	<i>Increase from proposed rates</i>
Postal and post cards.....	\$46, 740, 000 <sup>1</sup>
Drop letters.....	1, 375, 000
Second-class mail:	
Publishers' pound rate, first year.....	1 20, 000, 000
Transient.....	789, 000
Third-class mail.....	65, 857, 000
Special services:	
Registered mail (paid).....	10, 583, 000
Insured mail.....	809, 000
C. o. d. mail.....	7, 461, 000
Special-delivery mail.....	10, 120, 000
Total by legislation.....	163, 734, 000
By departmental action:	
Notices to publishers.....	722, 000
Notices of change of address, Form 3547.....	1, 109, 000
Certificate of mailing.....	755, 000
Total by departmental action.....	2, 586, 000
Combined total.....	166, 320, 000

<sup>1</sup> 2 additional increases of \$10,000,000 each to be made over a period of 2 years, making a total of \$40,000,000 over a 3-year period.

I respectfully but most earnestly urge that prompt action be taken toward the enactment of the legislation herein recommended. I shall of course be pleased to furnish the Congress or its committees such additional details or other information as may be desired or helpful in considering this matter.

Sincerely yours,

J. M. DONALDSON,  
Postmaster General.

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## READJUSTMENT OF POSTAL RATES

JULY 18, 1951.—Ordered to be printed

Mr. HAGEN, from the Committee on Post Office and Civil Service,  
submitted the following

### MINORITY VIEWS

[To accompany H. R. 2982]

H. R. 2982 is a bill designed to increase postal revenues by an estimated \$138,400,600 annually. It is the view of the undersigned that this measure, as reported, is unrealistic and self-defeating. H. R. 2982 is unrealistic because it seeks this increased revenue almost entirely from those classes of mail which have the lowest revenue potential for the Post Office Department. H. R. 2982 is self-defeating because a large part of the additional revenue contemplated will be canceled out by the ensuing shrinkage in business use of the mail.

It is the view of the undersigned that the measure, as reported, is inconsistent, discriminatory, and will create undue hardship to the American public, to large labor groups, and to thousands of companies, business firms and industries which are heavy users of the mails. The rates proposed, if enacted, will cause widespread unemployment, will cripple many businesses, and will disrupt the financial arrangements of some of our most worthy charities.

It is the recommendation of the undersigned that H. R. 2982 be recommitted in order that the following may be taken into consideration:

(a) Increase efficiency in the Post Office Department before using the deficit as a basis for setting rates.

(b) Consider the rates for first-, second-, and third-class mail as separate units so that a more careful study can be made of the problems involved by the rate structure recommended.

(c) Reorganize the Post Office Department's cost-ascertainment system to include such important intangible considerations as: The need for so many post offices, relative mail priority, degree of preferment, and economic value of the several classes of service, which are essential if it is to be used as a tool in conjunction with all of the factors that go into the operation of the Postal Establishment. The cost-

ascertainment system should not be used as an absolute guide for establishment of postal rates.

(d) Rate increases proposed by the majority report are higher than increased costs since last increases.

(e) The public interest in maintaining low second-class rates.

(f) The tax loss to the Government by increased rates.

(g) Establish a joint congressional committee assisted by an advisory council to investigate the business methods, operations, rates, and charges of the postal service, as provided by House Joint Resolution 235.

The Post Office Department is a major segment in the commercial life of the United States. Its facilities are used for the dissemination of information, for advertising for the promotion of business, and for the transportation of millions of parcels throughout our domestic economy. Its financial transactions in the way of money orders, postal notes, and postal savings rival those of our largest banks. It is the largest distributive enterprise of its kind in the world. It is operated to attempt to give good mail service to the American people. Mail service and facilities are provided in every part of the country regardless of cost. It is the only universal public service in the United States.

The traditional rates upon which all of the services performed by the Post Office Department are based cannot be changed without having an impact upon our whole economy. A rate increase of the magnitude such as proposed should be more carefully considered before being finally enacted by the Congress. The testimony of labor, farm, fraternal, veteran, religious, business, and industrial leaders, and many others, together with the many defects and inconsistencies in the bill as reported, causes a serious doubt as to its advisability at this time.

It is significant that no public witness, not even one, appeared urging that postal rates be raised. This report is submitted to point out some of the most important testimony with respect to this problem and give the Members of the House an analysis of the inconsistencies and discriminations in the bill.

Self-evidently, it is impossible to lessen the Post Office deficit appreciably by simply raising rates on second- or third-class mail and a minor portion of first-class mail.

Yet H. R. 2982 seeks only an additional \$51,511,000 from first-class mail, which last year brought the Post Office the massive income of \$815,271,402—more than four times the revenue from second-class and third-class put together. The measure also ignores the fact, fully recognized in cost-ascertainment reports of the Post Office Department, that the costs of handling first-class mail have been going up in approximately the same proportion as those of handling other classes.

#### FIRST-CLASS MAIL

Post and postal cards and drop letters are the only subclasses of first-class mail in which increases are proposed. Post cards are those manufactured and sold by private business. Postal cards are those issued and sold by the Post Office Department. Post cards and postal cards are widely used in the advertising service.



They are also used in large numbers by farmers' electrification cooperatives and many other utility companies in billing. Most small organizations—lodges, church groups, and clubs of all kinds—use this medium as a means of notifying their membership of meetings or other activities. The bill proposes to raise the rate on these cards to 2 cents. This is an increase of 100 percent and raises the cost to the users of these cards by \$50,000,000 annually. Such an increase is obviously out of line with other increases. It represents more than one-third of the entire increase proposed in the bill. Further consideration also should be given to the proposal of keeping "post cards" at 1 or 1½ cents, or lower than the Government-sold "postal card."

Such an increase is inconsistent with the increase provided for third-class bulk mail. It is obvious that large mailers will shift from the post and postal cards to third-class bulk mail since they can send much more material for 25 percent less cost. Thus, the increase in this item will fall largely on the small user of the post or postal card, who does not use a sufficient quantity to meet the bulk mailing requirements.

In the case of the picture post card, nearly a billion are sent annually. On each card now in stock is printed the legend "Place 1-cent stamp here." Changing the rate on such cards without sufficient time to change the stock will result in confusion and in a great burden being placed on the postal service for such items with insufficient postage. The industry estimates over a billion such cards are now in stock. Certainly the rate increase effective date should be postponed a year or more as to the increase on private post cards.

#### SECOND-CLASS MAIL

Second-class mail is comprised largely of magazines and newspapers. The rates proposed in this class of mail constitute not only increases as such but also major changes in policy.

The additional income to the post office from a 60-percent increase in second-class rates would be trivial by comparison with the damage involved for newspapers and magazines—many of which would be destroyed. A 60-percent increase is excessive and unjustified by comparison with the increase in handling costs. Post Office Department data show that from 1929 through 1949 (1950 cost figures, based on a different set of post offices, cannot be compared with those for previous years) the increase per piece and per pound in the cost of handling second-class mail was approximately 30 percent. That is just one-half of the second-class rate rise proposed in H. R. 2982. A 60-percent rise in rates cannot be justified on the ground of a 30-percent rise in costs.

We raise the following major objections to the recommendations on second-class mail:

*1. Rate increases are too steep*

The bill recommended by the committee will increase rates on second-class mail by 60 percent. This increase is too drastic and is made in the face of a volume of testimony to the effect that the maximum increase that publishers can stand at this time is 30 percent and even the 30 percent will cause many publishers to either seek other means of distribution or cease publication.

## *2. Higher rates won't raise revenue*

Increasing rates will not increase the amount of revenue received from second-class mail the first year by over \$8,000,000 as estimated by the majority. This estimate is based on the false assumption that volume of second-class mail will not be diminished by such a drastic increase in rates. Many publications already pay their own way under existing rates. The larger ones would divert many of their copies to other methods of distribution, thus reducing postal revenue. Publications of smaller circulation will be unable to divert their distribution from the mails to any comparable extent. They would have to reduce the size and quality of their issues, raise their subscription rates, and thereby lose circulation. It is clear that passage of this bill in its present form would cause unemployment, reduce postal revenue, and add even further to the postal deficit.

## *3. It causes a special hardship on many small worthy publications*

There is also a minimum rate placed on second-class matter of one-eighth cent. While this may seem like a small amount, it is important to note that the effect of the limitations will be most keenly felt by the small Sunday school papers and the educational current event news sent to school children.

### THIRD-CLASS MAIL

For third-class mail, H. R. 2982 proposes a rate increase of 50 percent in minimum-per-piece bulk mailing, which approximately matches the increased cost of handling third-class mail over the past 20 years. The measure takes no account, however, of the fact that rates for third-class mail were raised by 16% percent just 2 years ago. The minority therefore considers that the proposed increase for third-class mail should not exceed one-fourth or certainly not more than one-third of a cent. The minimum charge per piece, following the same general formula, should be raised from 1 cent to  $1\frac{1}{4}$  cents or not more than  $1\frac{1}{2}$ .

The minority believes that the increases contained in the amended bill for third-class mail are inconsistent and present an unrealistic approach to the problems involved. It should be remembered that in January 1949 third-class rates were increased by over \$17,000,000.

The weaknesses of the cost-ascertainment system are most apparent in third-class mail. There is no breakdown of costs as between the various subclasses. Without such a breakdown it is virtually impossible to use these figures as a basis for setting rates.

The services performed by the postal service for each class of mail vary widely.

According to the figures of the Post Office Department, it costs the same to handle third-class mail as it does first-class mail. The unsoundness of such a position is obvious when one considers that in the bulk mailings the pieces are precanceled, faced, sorted, and tied into bundles, according to destination, and, in some cases, according to postal zones, and transported to the originating post office by the mail user. Nor do the mailings receive the high priority of service accorded first-class mail.

We have pointed out that in practically every rate-making or pricing system, consideration is given to different services performed and

lower rates accorded byproduct commodities. In the postal service the basic commodity is first-class mail, which is the only class of mail over which the Post Office Department has a monopoly. Third-class mail is a byproduct, and should not be charged with all of the overhead expenses that must be incurred to carry the first-class mail.

Based upon the testimony received at the hearing, there is reason to believe that the increases in third-class mail will—

(a) Result in sharply reduced volume of such mail and a smaller revenue.

(b) Cause a hardship to small business men using third-class mail to advertise for business, send catalogs, or forward their merchandise.

(c) Completely disrupt the financial-support programs of such charities as the Boy Scouts, Girl Scouts, Crippled Children, the Red Cross, Tuberculosis Society, Cancer Research, and many others. Disabled American Veterans, for example, use third-class mail for their Identotag program. The proceeds from the sale of these miniatures of license plate key rings maintain their hospital for veterans' children. The increases proposed in this bill will amount to \$125,000 annually to this program alone, all of which must be subtracted from the money spent on this worthy charity.

(d) Result in an indirect loss of business as a result of reduced promotional effort. This will mean reduced taxes and increased unemployment. Many thousands of employees would be thrown out of work.

The business, cultural, and charitable promotional value of third-class bulk mailings is so important to our economy that, in our judgment, we should completely explore other alternatives before making such a drastic increase as would drive this item out of the mails. The proposals of the Post Office Department were not made along this line. Nor was such an approach made during the hearings. We would like an opportunity to explore other means or other services consistent with the retention of the 1-cent minimum rate. For example, we would like to know if it would not be better to increase the number of items from the present requirement of 200 before the minimum rate applies and to work out with the Department and the mail users what that increased number should be. We would also like to explore the possibility of a greater deferred service. Leaving the 1-cent as the local rate with the privilege of entry at the local post office is another possibility. In any event, if increases in third-class minimum rates are to be made as high as 1½ cents, it should be in two steps—not in one drastic 50-percent jump.

#### SPECIAL SERVICES

The special services are special delivery, registry, insurance, collect-on-delivery, money orders, postal notes, and postal savings. The recommendations of the majority represent what the Postmaster General recommended. There were no increases for money orders or postal savings.

While the position of the minority is that the Postmaster General should be able to set the rates on special services himself, it does not necessarily follow that when setting them by law they should be the

same. It is a slow process to change a law. Should the rates be too high, serious damage might be done before a change could be made. Already in these special services volume is decreasing because of the increased rates which went into effect on January 1, 1949.

We ask the question: Since the committee recommendation gives the Postmaster General authority to set the rates on special services, why raise them at all in this bill?

#### INCREASED EFFICIENCY

The deficit of the postal service has resulted in a number of objective studies of that Government Department with a view to modernizing it and adapting to its use advance administrative procedures, modern equipment, and a more effective organizational structure. During the Eightieth Congress studies were made by the Post Office and Civil Service Committee of the House under House Resolution 176.

The Hoover Commission on the Organization of the Executive Branch of the Government submitted a report with respect to increased efficiency in the postal service, pointing to possible savings of \$140,000,000 annually. We believe that all the Commission's recommendations should be placed in effect before legislating any further increases of rates.

The Postmaster General has stated he is not recommending increases in money orders because a new system for money orders will be placed into effect on July 1 of this year. He wants to wait until costs of the new system have been developed before raising rates. It is the position of the minority that the raising of rates in all mails and services should be held in abeyance until costs can be developed based upon the new procedures and methods that are being placed into effect as a result of the recommendations of the Congress, the Hoover Commission, and the Post Office Department.

Public Law 231 of the Eighty-first Congress established a research and development program in the Post Office Department. The program gives the Post Office Department the tools with which to carry out an extensive and exhaustive program to determine the best administrative techniques and mechanical equipment, pointing toward reduced unit costs.

The Department has reported to the Congress that many new developments have resulted from this program, among them mail-sorting machines, new mechanical equipment, letter-facing machines, etc. These should reduce costs and the results of these improvements should modify the need for rate increases.

Subsidies, such as those paid to airlines and the costs of carrying Government penalty mail, should be paid by direct appropriation. As yet we have been unable to even obtain a breakdown of the various charges and costs of these subsidies.

When such obvious changes can be made in the postal service that will reduce the deficit, it would appear that this is the place to begin, rather than by increasing rates with its resultant effect on our whole economy. If further increases in postal rates are voted prior to putting procedural recommendations into effect, it will remove much of the incentive to the Department to improve the efficiency of its organization, modernize its methods and equipment, and get maximum economy of operation.



Further, it is pointed out that on January 1, 1949, a new postal rate structure went into effect, representing rate increases totaling more than \$150,000,000 annually. In effect, the start toward reducing the deficit was begun by raising rates. Now is the time to reduce costs.

*What is out-of-pocket cost?*

Our postal system was created primarily for first-class letter mail. Most of its facilities and payroll would still be required if second-class publications were carried out of the mails. If this were done, postal revenues would be reduced about \$40,000,000 annually. Postal officials have been asked to estimate the out-of-pocket cost of carrying second-class mail without reduction of service—how many employees could be discharged, what facilities would be abandoned, and at what saving. Our committee has been unable to get a satisfactory answer to this question. We believe the out-of-pocket cost of carrying second-class mail is far less than that portion of the deficit annually allocated to second-class mail under the Post Office cost-ascertainment system. For example, under this system, 33.6 percent of the cost of maintaining the rural-delivery service is charged to second-class mail.

Many publications have relatively little circulation on rural routes. Obviously, rural delivery should be continued on its present basis even if there were no second-class mail. Determination of the cost of carrying second-class mail, on an out-of-pocket basis, should be a major consideration in reaching an intelligent decision on the rate question. Testimony was received by the committee from reputable witnesses showing the out-of-pocket costs for handling second-class mail was \$35,000,000. This amount is more than covered by the present revenue.

*Loss of volume increases deficit*

Although essentially a public service, and so conceived by Congress, the Post Office has many aspects of a business operation. It is an axiom of American business success that the best way to overcome rising costs is to maintain volume. In that way, cost per unit is spread over more units. The effect of the acceptance of rate recommendations made in H. R. 2982 would be to greatly reduce mail volume. If reduced volume at high rates is the only salvation for the postal system, then the livelihood of many of the half-million loyal postal workers is in jeopardy, all of our fourth-class post offices are in danger of being closed, and our highly regarded and appreciated rural-route service liable to reduction to three-times-a-week service instead of daily, and our city first-class collection and delivery service to curtailment.

We believe, along with many witnesses who testified during postal rate hearings, that the ultimate solution of the problem of the postal deficit lies largely in a strong attempt to maintain mail volume, improve the efficiency of the service, and reduce costs of the Post Office Department. This is particularly true in second-class mail because newspapers and some magazines have a delivery time requirement and better service is needed to hold or regain their business.

Also it should be remembered that second-class, like third-class and fourth-class mail, stimulates a large volume of first-class mail. There is no way that this effect can be measured but it should not be disregarded in the fixing of second- and third-class rates.

*Survey of postal rates and Post Office Department*

It is the view of the undersigned that an affirmative program should be adopted to investigate and survey postal rates in line with the proposals of House Joint Resolution 235.

This resolution provides for a joint committee of three members of the House Post Office and Civil Service Committee and three members of the Senate Post Office and Civil Service Committee to conduct a complete survey of post-office efficiency, rates and other pertinent matters. This joint committee would be assisted by a public advisory council of up to 20 members. The investigation would include:

(a) The study of the efficiency of the postal service and ways and means to increase its efficiency and bring more economy into its operations.

(b) The extent to which below-cost postal services are justified as being in the public interest taking into consideration the fact that the postal system was established as a service of the Government for all the people.

(c) The costs of handling the several classes of mail, and procedures whereby such costs can be reduced through improvements in methods and equipment.

(d) Rate recommendations, with due allowance for degree of preferment, priority in handling, economic value of services rendered, and the public interest served thereby.

(e) The extent to which the postal deficit is increased by including costs not properly chargeable to postal expenses.

It is the view of the minority that only through such an approach to the postal-rate problem can we find ultimately a fair and just solution. The joint committee, under the terms of the resolution, would report to the Congress by January 15, 1952.

If the postal-rate hearings proved nothing else, they did prove the need for a complete and detailed study of the highly technical considerations involved in the complex postal-rate structure. Testimony presented has not provided a sound base on which our committee can intelligently act at this time; that is why House Joint Resolution 235, which provides for a thorough study, should be inaugurated in this rate bill.

## ECONOMIC ASPECTS OF POSTAL RATES

The postal service has three major impacts on the economic life of the Nation. The first is the direct effect that the service has as the largest single transportation agency in the world; the second is the stimulating effect on our economy of the volume of advertising and promotional material which passes through the mails; and the third is the dissemination of technical information with respect to agriculture, new invention, and the improvement of industrial processes.

If we consider the postal deficit as a subsidy to the users of the mails, it can be stated that there is no Government subsidy which is so widely dispersed or with such a popular appeal. Its benefits accrue to every farmer on a rural route, to the legion of readers of our newspapers and magazines, to every member of a national veterans', labor, agricultural, charitable, or similar organization, to our hospitals, to our schools in low book rates; everyone from the farmer to the industrialist, from the cradle to the grave, benefits from the postal system and its low rates.

While it is true that the postal deficit must be made up in taxes no public witness favored raising postal rates for that reason, and business generally appears to favor the present procedure of paying the deficit by taxes. This method, no doubt, also meets with the approval of the great masses of the American public. It is to be doubted whether any taxpayer would receive sufficient reduction in taxes to offset higher costs due to increased postal rates.

In order to maintain a high level of production, we must create and maintain a demand for the goods provided. Advertising is a major method for creating a widespread demand for products. It is the volume demand for goods which is the very basis of our vaunted mass production.

The dissemination of technical information for our production facilities in the factory and on the farm is essential to our economy. It is a reason for our preeminence in the fields of agriculture, industry, and science, and is a major factor in our defense effort. The postal service is the channel through which our farmers, businessmen, scientists, tool designers, workers, tradesmen, and artisans receive current information of new developments in their respective fields.

#### OTHER OBJECTIONS

Some of the signers of this report have other objections to the bill, which are not stated here, and others are not in full agreement with all parts of this report. For a further statement of some of these objections, reference may be made to Report 1452, part 2, Eighty-first Congress, second session.

While only two members of the minority voted to report out H. R. 2982, several members for their own reasons, did not desire to sign the minority report, although they are opposed to one or more sections of the bill and voted against reporting the bill out of the committee.

However, it is felt that H. R. 2982, as reported, is untimely and contrary to the best interests of the American public and that it should not be approved. We recommend that it be recommitted so that one or more improved bills may be drawn and given further consideration at a later date.

HAROLD C. HAGEN  
ROBERT J. CORBETT  
GARDNER R. WITHROW  
USHER L. BURDICK  
H. R. GROSS  
WILLIAM R. WILLIAMS  
O. K. ARMSTRONG

While it is true that the postal deficit must be made up in taxes, no business levies raising postal rates for that reason, and business generally appears to favor the present procedure of paying the deficit by taxes. This method, no doubt, also meets with the approval of the great masses of the American public. It is to be doubted whether any taxpayer would resist a slight reduction in taxes to offset higher costs due to increased postal rates.

In order to maintain a high level of production, we must create and maintain a demand for the goods produced. Advertising is a major method for creating a widespread demand for products. It is the genuine demand for goods which is the very basis of our national mass production.

The dissemination of technical information for our production facilities in the factory and on the farm is essential to our economy. It is a reason for our preeminence in the fields of agriculture, industry, and science, and a major factor in our defense effort. The postal service is the channel through which our farmers, businessmen, scientists, tool designers, workers, businessmen, and citizens receive current information of new developments in their respective fields.

#### OTHER OBSERVATIONS

Some of the signs of this report have other objections to the bill which are not stated here, and others are not in full agreement with all parts of this report. For a further statement of some of these objections, reference may be made to Report #432, part 2, "Legislative Committee's second session."

While only two members of the minority voted to report out H. R. 2082, several members for their own reasons did not desire to sign the minority report, although they are opposed to one or more sections of the bill and voted against reporting the bill out of the committee.

However, it is felt that H. R. 2082, as reported, is entirely and contrary to the best interests of the American public and that it should not be approved. We recommend that it be reconsidered so that one or more improved bills may be drawn and given favorable consideration at a later date.

HAROLD C. HATCH  
FRANK J. C. HATCH  
GARRARD W. WILSON  
HAROLD J. HATCH  
H. R. GROSS  
WILLIAM R. WILSON  
O. K. ANASTASIO